

Message Text

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73

ACTION ARA-10

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

DODE-00 EB-07 FPC-01 H-01 INR-05 INT-05 L-02 NSAE-00

NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15

STR-01 TRSE-00 FRB-01 FEA-01 COM-02 PA-01 USIA-06

PRS-01 /088 W

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R 061618Z DEC 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6857

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EO 11652 NA

TAGS: EFIN

SUBJ: CENTRAL BANK CONCERN ABOUT EXTERNAL RECESSION AND
DOMESTIC INFLATION

1. PRESIDENT OF CENTRAL BANK ALFREDO LAFEE DECLARED THAT VENEZUELA IS CONCERNED ABOUT WORLD ECONOMIC CRISIS BUT THAT NO SPECIFIC MONETARY MEASURES ARE BEING CONTEMPLATED AT THIS TIME. HE SAID THAT WHILE THE RECESSION IN NORTH AMERICAN WOULD NOT HAVE A GREAT EFFECT ON THE ECONOMY OF VENEZUELA IT MAY RESULT IN A REDUCTION OF VENEZUELAN PETROLEUM AND OTHER RAW MATERIAL EXPORTS TO THE US. AS A PRECAUTIONARY MEASURE VENEZUELA IS DIVERSIFYING ITS INVESTMENTS ABROAD WITH A VIEW TOWARD ENSURING DIVIDENDS THAT ARE NOT SOLELY RELATED TO PETROLEUM.

2. LAFEE EVIDENCED CONCERN ABOUT INFLATION IN VENEZUELA AND CITED NECESSITY OF MAINTAINING COORDINATED MONETARY AND FISCAL POLICY. ACCORDING TO EMBASSY'S CALCULATION BASED ON LATEST DATA FROM CENTRAL BANK, PRICE INDEX HAS INCREASED 17 PERCENT DURING FIRST NINE MONTHS OF 1974 OR AT AN ANNUAL RATE OF 23 PERCENT.

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THIS COMPARES WITH ANNUAL RATE OF 11 PERCENT IN 1973 AND 3

PERCENT RATE FOR 1972. EVIDENCE OF CENTRAL BANK'S CONCERN ABOUT INFLATION IS REFLECTED IN A RECENT RELUCTANCE BY CENTRAL BANK TO DISCOUNT COMMERCIAL BANK PAPER CAUSING MINOR LIQUIDITY SHORTAGE. THIS DEVELOPMENT HAS TAKEN PLACE DESPITE MEASURES TO INCREASE LIQUIDITY TAKEN BY CENTRAL BANK IN EARLY FALL IN RESPONSE TO LATE SUMMER LIQUIDITY SHORTAGE. APPARENTLY AT PRESENT CONCERN ABOUT INFLATION OUTWEIGHTS GOVTS CONCERN ABOUT STIMULATING ECONOMY IN ORDER TO PROVIDE MORE EMPLOYMENT.
MCCLINTOCK

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Message Attributes

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